

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	63.00	2.75	1.38	67.13	2.50	1.50	67.00	67.00
Personal Services	2,248,758	259,623	14,647	2,523,028	239,645	17,904	2,506,307	5,029,335
Operating Expenses	798,001	201,799	14,725	1,014,525	237,143	14,229	1,049,373	2,063,898
Equipment	9,462	0	0	9,462	(9,462)	0	0	9,462
Grants	0	0	2,000,000	2,000,000	0	0	0	2,000,000
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$3,056,221	\$461,422	\$2,029,372	\$5,547,015	\$467,326	\$32,133	\$3,555,680	\$9,102,695
General Fund	2,269,230	36,994	1,026,665	3,332,889	37,207	(1,900,822)	405,615	3,738,504
State/Other Special	786,991	424,428	1,002,707	2,214,126	430,119	1,932,955	3,150,065	5,364,191
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$3,056,221	\$461,422	\$2,029,372	\$5,547,015	\$467,326	\$32,133	\$3,555,680	\$9,102,695

Agency Description

The Office of the State Auditor is established by Article VI of the Montana Constitution. The auditor is both ex-officio Commissioner of Insurance and ex-officio Commissioner of Securities. The duties of the State Auditor include licensing and regulating insurance companies and agents doing business in the state and adopting rules and administering small group insurance reform. The State Auditor registers and regulates securities dealers who do business within the state.

Summary of Legislative Action

Significant aspects of the budget approved by the legislature include the addition of \$2 million general fund for Montana Comprehensive Health Association funding and a funding switch from general fund to state special revenue in the Insurance Program. Due to provisions of SB 132, which will change the insurance fees the auditor charges and change deposit of the fees from the general fund to the state special revenue fund, the legislature replaced much of the insurance program's general fund appropriation with a state special revenue fund appropriation. The legislature included language in HB 2 to formalize an agreement between the Office of Budget and Program Planning and the office of the State Auditor. According to the agreement, the auditor will transfer sufficient funding from the insurance fee account in the state special revenue fund to the general fund in order to keep the net receipts of the general fund at the same levels as if SB 132 had not been passed.

Other Legislation

House Bill 536 - HB 536 established a fixed annual assessment amount for the Montana Comprehensive Health Association. (The association is composed of insurance concerns and health service organizations that do business in the state and is required to provide health insurance to eligible individuals who would otherwise be unable to receive insurance coverage. HB 536 specified the assessment amount that each member of the association will pay.) One provision of HB 536 allocated \$2 million to the association for the biennium from tobacco settlement monies. The provision also stipulated that the association could use the funds "only if the amount of the annual assessment collected by the association is insufficient to meet incurred or estimated claims expenses of the association plan and the association portability plan and the operating and administrative expenses of the association." The legislature provided the \$2 million funding to the association through a general fund appropriation to the office of the state auditor. The office will pass the funds to the association.

Senate Bill 128 - The Living Trust Act passed by the 1997 legislature had a sunset date of October 1, 1999 and the State Auditor's Office had budgeted accordingly. SB 128 removed the sunset provision from the Living Trust Act. The legislature granted an additional appropriation of \$42,501 state special revenue to the Securities Program to allow the program to continue the regulatory duties required by the act.

Senate Bill 132 - SB 132 removed most of the insurance fees charged by the Office of the State Auditor and replaced them with a single fee of \$1,900. The bill also stipulated that the money collected from the single fee would be deposited to the state special revenue account, unlike the previous fees, most of which were deposited to the general fund. Since

most of the insurance fees were deposited to the general fund, the Insurance Program, which was to be funded from insurance fees, received a general fund appropriation in the past. Since fees will now be deposited to the state special revenue fund, the legislature replaced the program's general fund appropriation with a state special revenue appropriation. (Because the effective date of the bill is January 1, 2000, the program retained a general fund appropriation sufficient to allow it to carry on its operations until that date.)

Since the amount of the insurance fees collected by the office and deposited to the general fund is typically greater than the amount of the general fund appropriation the program receives, one effect of SB 132 will be to reduce the net amount of revenue in the general fund. For the 2001 biennium, the office of the state auditor agreed to transfer enough money from the insurance fee account in the state special revenue fund to maintain the general fund balance. Language to that effect was included in HB 2.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 1998	Executive Budget Fiscal 2000	Legislative Budget Fiscal 2000	Leg – Exec. Difference Fiscal 2000	Executive Budget Fiscal 2001	Legislative Budget Fiscal 2001	Leg – Exec. Difference Fiscal 2001	Biennium Difference Fiscal 00-01
FTE	63.00	66.75	67.13		66.50	67.00		
Personal Services	2,248,758	2,549,553	2,523,028	(26,525)	2,529,285	2,506,307	(22,978)	(49,503)
Operating Expenses	798,001	885,889	1,014,525	128,636	854,829	1,049,373	194,544	323,180
Equipment	9,462	9,462	9,462	0	0	0	0	0
Grants	0	0	2,000,000	2,000,000	0	0	0	2,000,000
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$3,056,221	\$3,444,904	\$5,547,015	\$2,102,111	\$3,384,114	\$3,555,680	\$171,566	\$2,273,677
General Fund	2,269,230	2,330,893	3,332,889	1,001,996	2,311,045	405,615	(1,905,430)	(903,434)
State/Other Special	786,991	1,114,011	2,214,126	1,100,115	1,073,069	3,150,065	2,076,996	3,177,111
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$3,056,221	\$3,444,904	\$5,547,015	\$2,102,111	\$3,384,114	\$3,555,680	\$171,566	\$2,273,677

Executive Budget Comparison

The legislature reduced fixed cost allocations in all programs to reflect reductions in rental rates and ISD data network charges. The total amount of the reductions was \$5,099 for the biennium. In the insurance program, the legislature removed \$82,000 in personal services funding. This amount is approximately equal to total biennial funding for a 1.0 FTE, grade 15 position.

The State Auditor's Office had requested language amendments for contract examinations in the Insurance Program and the Securities Program. The legislature granted the appropriations as regular HB 2 appropriations instead of as language appropriations and restricted them to contract examinations. The amount appropriated in the Insurance Program was \$299,100. In the Securities Program, the amount appropriated was \$24,000.

The legislature also added appropriations to implement provisions of HB 536, allocating \$2,000,000 of tobacco settlement money in a general fund appropriation from tobacco settlement monies for the office to distribute to the Montana Comprehensive Health Association. The legislature granted an additional appropriation of \$42,501 state special revenue to the Securities Program to allow the program to continue the regulatory duties required by the Living Trust Act, which was to sunset on October 1, 1999. SB 128 removed the sunset date, making the Act permanent.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	9.00	.50	.00	9.50	.50	.00	9.50	9.50
Personal Services	308,993	50,983	0	359,976	48,658	0	357,651	717,627
Operating Expenses	81,632	10,630	0	92,262	7,464	0	89,096	181,358
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$390,625	\$61,613	\$0	\$452,238	\$56,122	\$0	\$446,747	\$898,985
General Fund	364,195	5,780	(186,847)	183,128	4,635	(368,830)	0	183,128
State/Other Special	26,430	55,833	186,847	269,110	51,487	368,830	446,747	715,857
Total Funds	\$390,625	\$61,613	\$0	\$452,238	\$56,122	\$0	\$446,747	\$898,985

Program Description

The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the State Auditor's Office. The division also provides the auditor support in fulfilling his duties as a member of the state land and hail insurance boards.

Funding

The program is funded almost entirely from the general fund. Two state special revenue funds, the insurance fee account and the portfolio fee account, are used for a portion of personal services costs.

Present Law Adjustments		Fiscal 2000		Fiscal 2000		Fiscal 2001	
Present Law Description		Fiscal 2000 FTE	General Fund	Total Funds	Fiscal 2001 FTE	General Fund	Total Funds
Statewide Present Law							
Personal Services				28,745			26,564
Inflation/Deflation				127			135
Fixed Costs				12,115			8,940
Total Statewide Adjustments				\$40,987			\$35,639
Present Law Adjustments							
1	Data Processing FTE	.50	0	22,238	.50	0	22,094
2	Fixed Cost Reductions	.00	(768)	(929)	.00	(766)	(928)
8	Present Law adjustment	.00	(594)	(683)	.00	(594)	(683)
Total PL Adjustments		.50	(\$1,362)	\$20,626	.50	(\$1,360)	\$20,483
Present Law Adjustments Total				\$61,613			

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Data Processing FTE - The legislature granted state special revenue present law adjustments of \$22,238 in fiscal 2000 and \$22,094 in fiscal 2001 for a 0.5 FTE data processing position.

DP 2 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

DP 8 - Present Law adjustment - The legislature granted present law adjustments to allow the program to change recording of some expenses from one accounting category to another. This is an accounting change that has no fiscal impact.

New Proposals						
Description	Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
1 SB 132 - Funding Switch	.00	(186,847)	0	.00	(368,830)	0
Total New Proposals	.00	(\$186,847)	\$0	.00	(\$368,830)	\$0

New Proposals

DP 1 - SB 132 - Funding Switch - SB 132 changes deposit of insurance fees from the general fund to the state special revenue fund. The funding switch replaces the office's general fund appropriation with a state special revenue appropriation. (The office retains a portion of its original general fund appropriation in fiscal 2000 because the effective date of SB 132 is January 1, 2000.)

Language

"Based upon passage and approval of Senate Bill No. 132, the state auditor's office shall transfer \$399,814 at the end of fiscal year 2000 and \$563,567 at the end of fiscal year 2001 to the general fund from the insurance fee state special revenue fund for the purpose of maintaining the general fund balance."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	43.00	2.00	1.00	46.00	2.00	1.00	46.00	46.00
Personal Services	1,567,569	176,387	172	1,744,128	169,137	(118)	1,736,588	3,480,716
Operating Expenses	610,759	169,414	10,725	790,898	212,104	8,225	831,088	1,621,986
Equipment	9,462	0	0	9,462	(9,462)	0	0	9,462
Grants	0	0	2,000,000	2,000,000	0	0	0	2,000,000
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$2,187,790	\$345,801	\$2,010,897	\$4,544,488	\$371,779	\$8,107	\$2,567,676	\$7,112,164
General Fund	1,513,819	18,157	1,213,512	2,745,488	18,173	(1,531,992)	0	2,745,488
State/Other Special	673,971	327,644	797,385	1,799,000	353,606	1,540,099	2,567,676	4,366,676
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$2,187,790	\$345,801	\$2,010,897	\$4,544,488	\$371,779	\$8,107	\$2,567,676	\$7,112,164

Program Description

The Insurance Division regulates the insurance industry in Montana. The Policyholder Services Bureau is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The Examinations Bureau is responsible for monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. The Rates and Forms Bureau is responsible for reviewing form filings and rate filings to ensure compliance with the applicable insurance code. The Licensing Bureau is responsible for licensing and providing continuing education to insurance agents, agencies, and adjusters. The Investigations Bureau investigates insurance code and rule violations, including possible criminal violations, and refers cases to county attorneys for prosecution.

Funding

General fund and state special revenue fund the Insurance Division. State special revenue comes from nonresident insurance producer license fees, fees charged for insurance company examinations, and fees on insurance agents. Agent fees support the insurance industry continuing education program, the insurance regulatory accreditation function, and other insurance regulation functions. With the exception of the license and permits fees mentioned above, the office deposits all the other insurance license and permit fees and premium taxes it collects into the general fund.

Due to passage of SB 132, as of January 1, 2000, a single flat fee of \$1,900 will replace the majority of the fees charged by the program, and will be deposited to the state special revenue fund. Since the fee charged by the program will go to the state special revenue fund instead of to the general fund as of January 1, 2000, funding for the program will come entirely from the state special revenue after that date.

Present Law Adjustments						
Present Law Description	Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
Statewide Present Law						
Personal Services			116,467			109,720
Inflation/Deflation			5,335			4,929
Fixed Costs			30,072			15,765
Total Statewide Adjustments			\$151,874			\$130,414
Present Law Adjustments						
2 Licensing and Continuing Education	1.00	0	32,697	1.00	0	30,053
5 Policyholders Services FTE	1.00	0	43,911	1.00	0	39,694
6 Present Law Adjustments	.00	0	2,872	.00	(6,732)	(6,732)
7 Fixed Cost Reductions	.00	(3,153)	(3,153)	.00	(3,150)	(3,150)
10 Contract Examinations	.00	0	117,600	.00	0	181,500
Total PL Adjustments	2.00	(\$3,153)	\$193,927	2.00	(\$9,882)	\$241,365
Present Law Adjustments Total			\$345,801			\$371,779

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Licensing and Continuing Education - The legislature granted present law adjustments to allow the State Auditor's Office an additional 1.0 FTE, grade 9 licensing and certification technician who would verify course completion by insurance licensees.

DP 5 - Policyholders Services FTE - The legislature provided present law adjustments for a 1.0 FTE, grade 14 compliance specialist. The amounts include \$12,000 in fiscal 2000 and \$8,000 in fiscal 2001 for expenses related to duties the new FTE would perform.

DP 6 - Present Law Adjustments - The legislature provided present law adjustments of \$2,872 in fiscal 2000 and a reduction of \$6,732 in fiscal 2001. The majority of the fiscal 2000 adjustment is due to the salary differential between the temporary worker who held a position at the time of the personal services snapshot and the permanent FTE who was hired shortly after. The majority of the fiscal 2001 reduction is due to reduced equipment purchases.

DP 7 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

DP 10 - Contract Examinations - The legislature approved a restricted appropriation from the insurance account in the state special revenue fund for contract examinations.

New Proposals						
Description	Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
3 Workers Comp. Fraud Investigator	1.00	0	51,897	1.00	0	49,107
9 Personal Services Adjustments	.00	(41,000)	(41,000)	.00	(41,000)	(41,000)
13 SB 132 - Funding Switch	.00	(745,488)	0	.00	(1,490,992)	0
14 HB 536 - Comp. Health Association	.00	2,000,000	2,000,000	.00	0	0
Total New Proposals	1.00	\$1,213,512	\$2,010,897	1.00	(\$1,531,992)	\$8,107

New Proposals

DP 3 - Workers Comp. Fraud Investigator - The legislature provided state special revenue to allow the office to hire a 1.0 FTE fraud investigator. The legislature also approved language that specifies goals for the position to accomplish in fiscal 2000 and fiscal 2001. (See the "Language" section.)

DP 9 - Personal Services Adjustments - The legislature removed \$41,000 each fiscal year in personal services funding. These amounts are approximately equal to funding for a 1.0 FTE, grade 15 position.

DP 13 - SB 132 - Funding Switch - SB 132 changes deposit of insurance fees from the general fund to the state special revenue fund. The funding switch replaces the office's general fund appropriation with a state special revenue appropriation. (The office retains a portion of its original general fund appropriation in fiscal 2000 because the effective date of SB 132 is January 1, 2000.)

DP 14 - HB 536 - Comp. Health Association - Due to passage of HB 536, the legislature granted a restricted biennial general fund appropriation of \$2,000,000 to establish a fixed annual assessment for the Montana Comprehensive Health Association. The general fund money was made available from the tobacco settlement money

Language

"The state auditor shall establish the following goals for the new fraud investigator FTE position: (1) in fiscal year 2000, the investigator shall open 10 fraud investigations; (2) in fiscal year 2001, the investigator shall open an additional 10 investigations, must have closed at least two investigations, and must have recovered at least \$100,000 in fines."

"The office shall notify the Office of Budget and Program Planning and the Legislative Fiscal Division at the end of each fiscal year about the degree to which the goals were met."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	11.00	.25	.38	11.63	.00	.50	11.50	11.50
Personal Services	372,196	32,253	14,475	418,924	21,850	18,022	412,068	830,992
Operating Expenses	105,610	21,755	4,000	131,365	17,575	6,004	129,189	260,554
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$477,806	\$54,008	\$18,475	\$550,289	\$39,425	\$24,026	\$541,257	\$1,091,546
General Fund	391,216	13,057	0	404,273	14,399	0	405,615	809,888
State/Other Special	86,590	40,951	18,475	146,016	25,026	24,026	135,642	281,658
Total Funds	\$477,806	\$54,008	\$18,475	\$550,289	\$39,425	\$24,026	\$541,257	\$1,091,546

Program Description

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana, and in particular, for the registration of securities issuers, salespeople, broker-dealers, investment advisers, and investment adviser representatives. The division is also responsible for the investigation of unregistered and fraudulent securities transactions. The division has sole jurisdiction for investment advisor firms with assets of under \$25 million. The Investigations Bureau investigates securities code and rule violations, including possible criminal violations, and refers cases to county attorneys for prosecution.

Funding

The program is funded mostly by the general fund. The securities portfolio registration function is funded by state special revenue from securities portfolio registration fees.

All revenue from securities fees and fines, except for the securities portfolio fees, must be deposited to the general fund in accordance with 30-10-115, MCA.

Present Law Adjustments						
Present Law Description		Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund
Statewide Present Law						
Personal Services				12,314		9,891
Inflation/Deflation				818		775
Fixed Costs				10,924		6,787
Total Statewide Adjustments				\$24,056		\$17,453
Present Law Adjustments						
1	Fixed Cost Reductions	.00	(670)	(882)	.00	(692)
7	Present Law Adjustments	.25	(895)	18,834	.00	(910)
11	Contract Examinations	.00	0	12,000	.00	0
Total PL Adjustments		.25	(\$1,565)	\$29,952	.00	(\$1,602)
Present Law Adjustments Total				\$54,008		\$39,425

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Fixed Cost Reductions - The legislature reduced fixed cost allocations to reflect reductions in rental rates and ISD data network charges.

DP 7 - Present Law Adjustments - The legislature granted present law adjustments of \$18,834 in fiscal 2000 and \$10,854 in fiscal 2001. The amounts are primarily due to the salary differential between the temporary worker who held a position at the time of the personal services snapshot and the permanent FTE who was later hired. Funding for the 0.25 FTE is to provide services under the Living Trust Act. The Act had a sunset date of October 1999, but the sunset date was removed in SB 128. Because the Act will not sunset, the legislature also provided additional funding in a new proposal. (See "New Proposal" section.)

DP 11 - Contract Examinations - The state auditor's office had requested the following language amendment:

"The state auditor's office is authorized to spend up to \$12,000 in fiscal year 2000 and \$12,000 in fiscal year 2001 from the securities fee account in the state special revenue fund for contract examinations."

The legislature granted the appropriation as a regular HB 2 appropriation instead of as a language amendment. The appropriation is restricted to contract examinations.

New Proposals						
Description	Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
1 SB 128 - Living Trust Act	.38	0	18,475	.50	0	24,026
Total New Proposals	.38	\$0	\$18,475	.50	\$0	\$24,026

New Proposals

DP 1 - SB 128 - Living Trust Act - SB 128 removed the sunset date from the Montana Living Trust Act, making the act permanent. The legislature provided \$18,475 state special revenue in fiscal 2000 and \$24,026 state special revenue in fiscal 2001 to provide for an additional 0.375 FTE in fiscal 2000 and an additional 0.5 FTE in fiscal 2001.